Exhibit K

PRELIMINARY TRANSCRIPT

Thomson StreetEvents℠

FD - Q4 2006 Federated Department Stores Inc. Earnings Conference Call

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CONFERENCE CALL PARTICIPANTS

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TRANSCRIPT

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Editor

(PLEASE STAND BY FOR NEAR-REAL-TIME TRANSCRIPT)

Operator

Good day, everyone, and welcome to today's Federated Department Stores earnings conference call. As a reminder today's conference is being recorded. Now for opening remarks and introductions I would like to conference over to Karen Hoguet. Please go ahead, ma'am.

>>Karen Hoguet

Thank you. Good morning, everyone, and welcome to the Federated Department Stores conference call scheduled to discuss our fourth-quarter earnings. I am Karen Hoguet, CFO of the Company. Any transcription or other reproduction of the statements made in this call without our consent is prohibited. A replay of the call will be available on our Web site, www.FDS.com beginning approximately two hours after the call concludes. Please refer to the investor relations section of our Web site for discussion and reconciliations of any non-GAAP financial measures discussed this morning. Keep in mind that all forward-looking statements are subject to risks and uncertainties that could cause the Company's actual results to differ materially from the expectations and assumptions mentioned today due to a variety of factors that affect the Company, including the risks specified in the Company's most recently filed Form 10-K and Form 10-Q. This is an exciting day for the Company. To start with, we're very pleased with our financial results for the fourth quarter and for 2006 as a whole. We're so proud of our organization for exceeding our profit and cash flow expectations even with lower than expected sales. And we did this while completing all scheduled components of the May integration without any major complications. We did not produce the sales we had hoped for in the former May doors but the trend is definitely improving and we feel good about our ability to deliver the expected 2% to 3.5%

comp store sales increase in 2007, which, as you know, includes both the Macy's and former May Company doors. Because of our confidence in the Company's future, we also announced this morning a $4 billion increase in the authorization for our stock buyback program. Roughly half of this amount has been completed through an accelerated program, as I will discuss further in a few minutes. And last, but certainly not least, as you saw, we are recommending to our shareholders that they approve in our annual meeting in May the change in the Company's name to Macy's Group Inc. By changing our corporate name to reflect the huge transformation our Company has undergone, we will be able to leverage the identity of our largest brand among all of our constituencies. Of course Bloomingdale's remains a very important part of the Company. Let's talk first this morning about the fourth quarter and the full-year results. I will then talk about our key planning assumptions for 2007 and the announced increase in buyback authorization. And then of course I'll take your questions. Sales in the fourth quarter were $9.2 billion, within our expected range of $9.1 billion to $9.4 billion. As we have discussed in our sales releases each month in the quarter we were very pleased with the outstanding performance in the legacy Federated doors that produced a 6.1% comp store increase. And we were disappointed with sales in the former May or as we now call them the new Macy doors. However, it's important to note that the trend in those doors has improved. Gross margin rate, excluding inventory valuation adjustments in the fourth quarter, was 40.9% or flat with last year. This is consistent with our expectations. Fortunately, a good inventory shortage experience offset the added markdowns needed to clear inventory in the former May doors that resulted from the weak sales. SG&A in the quarter was 25.2%, down 180 basis points from last year's 27.0%. This is well below last year and better than we expected due in large part to the earlier achievement of synergy. We were close to an annual run rate of $450 million in the fourth quarter, which is higher than we expected. In other words, we achieved more of the synergies earlier and exceeded our $175 million expectation for 2006. In addition, retirement expense was below our assumption in the fourth quarter. Clearly, this fourth-quarter expense performance will be hard to beat in 2007. Operating income excluding May related inventory valuation adjustments and integration costs was $1.4 billion or 15.7% of sales in the fourth quarter. In the quarter, we booked May-related inventory valuation adjustments of $10 million and integration costs of $167 million. The integration costs were higher than expected in the quarter due primarily to timing differences. For the year as a whole, our onetime costs were below our guidance. The inventory valuation adjustments were $178 million versus the expected $200 to $225 million. And the May related integration expense for the year was $450 million, which was the low end of our guidance of $450 million to $500 million. Interest expense the quarter was only $49 million but remember that included a $54 million gain relating to our bond tender offer. Tax expense in the quarter was $451 million or 37.2% of pre-tax income. This is slightly lower than the 37.5% expected due to year-end adjustments and miscellaneous settlements with taxing authorities. Income from continuing operations was $760 million or $870 million, excluding the May-related inventory valuation adjustments and integration costs. Average share count on a diluted basis in the fourth quarter was 523.7 million shares. We ended the fourth quarter with a basic share count of 497 million shares. Fourth-quarter earnings per share on a diluted basis excluding May-related inventory valuation adjustments and integration expenses, was $1.66. For the year as a whole, let me just focus on five key financial highlights. First, sales. The sales of $27 billion were slightly below our original expectations. This incorporated above plan performance at the legacy Federated stores resulting from continued progress on our four priorities and great performance at Bloomingdale's. Obviously, this performance is relevant because it is these strategies which are being executed in the new Macy's stores. However, the sales in the May doors, as you know, were weaker than expected. We are doing the right things in these new stores but it has taken longer both to build a customer base and also for sales associates, store executives, as well as customers, to get used to the changes. Number two, EBITDA. EBITDA as a percent of sales was 13.1% in 2006 excluding May-related inventory valuation adjustments and integration costs, as well as the gain on the sale of the credit portfolio. We are on track to achieve our goal of hitting EBITDA of 14% to 15% of sales in the 2008/2009 timeframe. Number three, EPS. In spite of missing sales, our earnings per share was $2.30 versus our original guidance of $1.72 to $1.85 excluding integration expense and gain on credit. Now, if you exclude the nonrecurring and unplanned tax settlement in the second quarter and the impact of the debt tender in the fourth, earnings per share this year was $2.08, still above our original expectations for the year, adjusted for the stock split. Some of you have called us this morning wondering why EPS was below last year. Please remember that in 2005 we only owned May in the back half of the year, which is, as you know, by far the most profitable part of the year and the share count was only impacted by the May acquisition for part of last year. Number four, asset dispositions. We brought in pre-tax cash proceeds of approximately $4.5 billion in 2006 between the sales of the May and GECC credit portfolios, Lord & Taylor, David's Bridal and the overlapping real estate and other miscellaneous assets. And five, our stock buyback program. We bought back $2.5 billion of our stock during the year or 62.5 million shares. The average price paid during the year was $40, which we believe represents a great investment for the Company. Those are just the financial highlights. I know many of you have heard my summary of key 2006 accomplishments before. But

I just cannot talk about 2006 without reminding you of just how much we achieved this year in terms of the integration. As of mid-February, of '07, all of the systems have now been successfully converted. The division consolidations are behind us; the May corporate offices wind-down has been complete; private brand was rolled out to the May doors; this fall, in 2006, the penetration of private brand in the May doors already reached 17% as compared to 18.6% this fall in the legacy Macy doors. As we have said, these goods have met great acceptance in the new doors. For the full year, private brand penetration in the legacy Macy's doors increased slightly to 18.2%. The assortments were transitioned in former May doors to achieve greater localization, including the good, better, best and lifestyle mix, which we believe is warranted. We believe our assortments and, therefore, the sales trends, will continue to improve as we gain more experience and understanding about our new customers. The logistics network is in the process of being integrated with no significant unanticipated issues thus far. The Macy's credit cards, along with our Star Rewards loyalty program, was rolled out to the May customers. And the penetration of proprietary card usage reached 41% in the May doors in 2006, up 560 basis points over last year, although still approximately 500 basis points below the legacy Federated doors. This trend bodes well for the future given our ability to better communicate to our proprietary customers and the increased loyalty that our proprietary cardholders demonstrate. And of course we accomplished the name change of all of the May stores as well as the beginning of our national advertising strategy. I really can't say enough about how proud I am to be a part of an organization that accomplished all of this. This involved unusual commitment levels, long hours and personal sacrifice. You as shareholders or followers of the Company should feel good about the 200,000 plus people who pulled this off. We recognize that we still have lots of challenges ahead of us but as you can see from our accomplishments this year, we are up to the task. As we look to 2007, our top priority is to drive comp store sales growth while making continued progress towards our EBITDA rate objective. In 2007, we're expecting total sales of $27.1 billion to $27.6 billion and a comp store sales increase of 2% to 3.5%. The total sales growth is lower than the comp increase due largely to the fact that 2007 has one less week than fiscal 2006. As you saw in the press release we're planning to open six full-line stores in 2007 and two furniture stores. This sales assumption will require continued improvement in the trend in the former May doors versus 2006 as we go through the year. The trend has been improving since mid December and we believe our expectation to be reasonable, but we, like you, will be watching our sales trends closely and we will react with receipt and expense reductions if we turn out to be wrong. Our comp store sales expectations by period are 2.5% to 3.5% comp store increase in the first quarter, 1.5% to 2.5% in the second quarter and 2% to 3.5% in the fall season. The higher expectation first quarter over the second quarter relates to the shift of a promotional event into the first quarter as well as Mother's Day that falls early in the second-quarter period this year, putting some of the related business into the first quarter. And the total sales dollars are assumed to be the following by period. First quarter, $6 billion to $6.1 billion; second quarter $6.1 billion to $6.2 billion; and the fall season $15 billion to $15.3 billion. For the full year we're expecting gross margin rate to increase modestly. While we expect gross margin to increase versus last year, in all of the time periods, the biggest increase is planned in the first quarter due to the fact that the quarter last year had the weakest performance. With SG&A, we're currently expecting relatively flat performance as a rate for the year as a whole. Our plan incorporates achieving the $450 million or more of synergies with the incremental synergies over 2006 front-end loaded, as you would expect. And if we achieve comp store sales growth at the upper end or above of our guidance, hopefully the SG&A rate will be lower as well as we leverage the sales growth. We are assuming close to a full point of improvement in SG&A as a percent of sales in the first quarter, less improvement in the second quarter, a flattish rate in the third quarter with an increase in rate expected for the fourth quarter. The fourth-quarter expectation relates to the fact that most of the synergies were realized by then in 2006 but as you might imagine we're not satisfied and in fact are still working on opportunities to reduce expense in the fourth quarter and, therefore, the year as a whole. Since that quarter just ended, we have not fully been able to look for opportunities for 2007 in the fourth quarter. Included in the assumed SG&A is approximately $1.36 billion of depreciation and amortization. We are assuming roughly $330 million in the first and second quarter and about $700 million in the fall season. This assumes our capital budget of $1.2 billion for 2007. So our EBITDA as a percent of sales is assumed to grow in 2007 versus 2006. And we're still assuming it will be 2008 and 2009 before we achieve our stated 14% to 15% objective. This is consistent with what we have told you in the past. The remaining May-related integration costs are assumed to be approximately $100 million to $125 million for the full year. Almost all of these costs, however, will occur in the first half of the year. These relate primarily to the final systems conversions that took place earlier this month and the continued integration of our logistics operations. As you think about interest expense and share count for 2007, remember that we announced and included in our guidance a $4 billion increase in our authorization. So the total is now $4.17 billion. to buy back stock. And while this is more aggressive than prior authorizations our balance sheet is strong. We worked with the rating agencies in advance to be sure we would not jeopardize our solid investment-grade rating with this announcement. As this indicates, we believe in

our future and that buying our stock at current levels will prove to be a great investment for the Company. In fact, we entered into an agreement to buy back 45 million shares in an accelerated program, which reduced our share count as of today. We are assuming in our guidance that in addition to the accelerated program, we utilized the open market or perhaps other negotiated transactions, to buyback the remainder of our authorization later this year. Utilizing the open market gives us the flexibility to adjust the amount and the pace, depending on the stock price as well as if for any reason our business is either stronger or not performing as we expected. Interest expense in 2007 is assumed to be approximately $530 million. This reflects assumptions for the added costs associated with financing our $4 billion buyback program as well as a nonrecurring $54 million gain achieved in the fourth quarter of 2006 related to the debt tender offer and the $17 million impact of the tax settlement and interest expense in the second quarter. By period, our expectations for interest expense are -- in the first quarter, approximately $20 million; in the second quarter, approximately $130 million; and in the fall season where the third and fourth quarters combined, approximately $280 million. The annual effective tax rate is assumed to be 37.2%. Remember, the $80 million tax settlement that was booked in the second quarter of 2006 as you go to build your models. These planning assumptions would result in diluted EPS of $2.45 to $2.60 for the year 2007; $0.15 to $0.20 per share in the first quarter; $0.40 to $0.45 in the second quarter; and $1.85 to $2.00 in the fall season. 2007 will clearly be another big year for the Company. As I have said earlier, we remain cautiously optimistic about our sales outlook based on recent trends. Five of the key factors behind our optimism are the following. One, the significant increase in usage of our May credit cards in the former May doors will enable us to build relationships with these customers through more effective communication. Two, the ongoing roll out of our Reinvent Program in the former May doors. Three, the increased time in job for all of the former May associates in terms of learning about Macy's systems, policies and ways of conducting business. Four, customers in the May markets are getting used to our strategy for delivering value, which depend less on coupons. This is probably the most challenging of all the issues we face. We know it takes time to retrain customers to recognize good values without coupons. But as we know from our Macy's experience, it can happen, and it is an objective worth pursuing. And fifth, the introduction of the Martha Stewart line this fall, as well as the continued success of our private grounds and exclusive lines in both the old and new Macy's doors bodes well for our sales trends in 2007. As I said earlier, we are cautiously optimistic about 2007. We believe that the legacy Macy's and Bloomingdale's stores will continue their strong performance and that the May store trends will continue to improve. And as comp store sales trends accelerate so will the EBITDA rates and cash flow generation. As we look beyond 2007, we are less cautious about our optimism and believe that we will continue to build our brands and enhance shareholder value as Macy's Group. Thanks for your interest in Federated and I will now open the call up for your questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Deborah Weinswig, Citigroup.

>>Deborah Weinswig

As we think about the gross margin guidance for 2007, I just want to make sure, it sounds a little conservative and if we think about the fact that you'll have a full year of Federated's private-label, the new Macy's doors, the use of [20/20] at the new Macy's doors, which should also theoretically help markdowns, and obviously a host of other kind of positives, can you help us understand what maybe we're not thinking about?

>>Karen Hoguet

Well, the issue, Deb, is remember, we're focused on giving the customer value. We're not focused on growing gross margin rate. We would much rather offer the customer value and get the rewards in comp store sales growth. So I think that's probably what you're missing.

>>Adrianne Shapira

Okay so the first $2 billion is out?

>>Karen Hoguet

Correct.

>>Adrianne Shapira

Thank you.

Operator

Bob Drbul, Lehman Brothers.

>>Bob Drbul

Just a couple questions on the May doors. When you look -- first of all can you give us the blended numbers on 2006 that we will be comparing against when you give us the '07 guidance?

>>Karen Hoguet

No, because it really wasn't part of the comp base last year.

>>Bob Drbul

Okay. And then the second question is when would you expect the May doors to start to -- the legacy May doors to start to comp positive in your assumptions?

>>Karen Hoguet

You know something, I'm not tracking it that way anymore so I don't even know how to answer that.

>>Bob Drbul

And then for full year 2006 can you talk a little bit about the advertising expense and where it came in on a dollar basis or percentage basis and how to think about it in '07?

>>Karen Hoguet

I don't have that number yet for 2006, but as you know, it will be in the 10-K when we report. And in terms of how to think about it for '07, as you know, we do not expect a significant reduction in marketing expense other than what has already happened in the overlapping markets. But we are really investing in marketing to both built the brand while we're still keeping the sales promotion cadence that we've had in the past. So I would not expect any marketing savings in 2007.